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# Oil and Gas Commission

# Annual Service Plan Report

# 2004/2005

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**Message from the Chair to the Minister of Energy and Mines**

Dear Honourable Minister Neufeld:

I am pleased to present the Oil and Gas Commission Annual Service Plan Report for 2004/2005.

The province continues to enjoy a significant growth in the oil and gas industry.

To effectively respond to the industry growth, the Commission is actively engaged in a number of process improvement initiatives. There are currently 32 such initiatives underway or recently completed. The Commission is also engaged in developing innovative human resource strategies to recruit, develop and retain professional staff. The board has fully endorsed these initiatives. I would like to thank the staff for their hard work and creative ideas to make the Commission *the innovative regulatory leader*.

I am pleased to report that the Commission has accomplished, or is on schedule to accomplish, 96% of the strategies identified in the 2004-2007 Service Plan. The Commission also achieved 82% of its performance targets. A complete Performance Report is included in this Annual Service Plan Report.

The 2004/2005 Oil and Gas Commission Annual Service Plan Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the content of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of the Crown agency for the twelve months ended March 31, 2005. All significant decisions, events and identified risks, as of May 11, 2005, have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of our actual performance in relation to our Service Plan.

Sheila Wynn

Dr. Sheila Wynn, Chair

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## Organization Overview

The Oil and Gas Commission (OGC or Commission) was established under the *Oil and Gas Commission Act* in July 1998 as part of the Provincial Government's Oil and Gas Initiative. This independent Crown agency is fully financed by the oil and gas industry through fees and levies.

The Commission is responsible for regulating British Columbia's oil and gas sector and for making decisions on oil and gas applications, considering broad environmental, economic and social effects. It also has a responsibility to consult with First Nations, engage stakeholders, ensure safe operating practices, and streamline regulatory processes.

Our Vision is:

*"To be the innovative regulatory leader, respected by stakeholders, First Nations and clients."*

Our Mission is:

*"Regulating Oil and Gas Activity:*

- *through fair, consistent, responsible and transparent stakeholder engagement,*
- *for the benefit of British Columbians,*
- *by balancing environmental, economic, and social outcomes."*

Our Core Values are:

- *"We are truthful and do our duty above all else in the performance of our responsibilities.*
- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.*
- *We are accountable through our service plan.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We embrace change that enables personal and organizational growth.*
- *We promote a positive and rewarding work environment."*

Our Key Success Factors are:

- *"Upholding our core values*
- *Understanding and focusing on core services*
- *Building and sustaining competence within the organization*
- *Anticipating and responding to short- and medium-term demands for the services of the organization*
- *Staying close to communities, clients, and stakeholders*
- *Recognizing barriers and developing initiatives to close performance gaps*
- *Aligning and focusing organizational energy on achieving performance targets*
- *Continuously improving business processes and technological support"*

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Core Values are integrated into day-to-day operations in a number of ways:

- The efforts of staff to use the core values as a guide for work activities and as a 'lens' to assess problems and situations
- The efforts of program managers to ensure that program delivery is consistent with core values
- The efforts of Executive to ensure that leadership is exercised with consistency to core values

Goals and objectives are linked to the Commission's mission and vision through strategic planning exercises. The Executive team formulates goals, objectives, and strategies that promote our mission and vision, in the context of government policy direction.

The Commission has offices in Fort St. John, Fort Nelson, Kamloops, and Victoria.

The Commission has approximately 130 employees.

The core services of the Commission are:

1. Assessment of oil and gas applications and issuance of approvals
2. Compliance and enforcement of exploration, development, operations and restoration with regulations and conditions
3. Consultation with First Nations on applications and operations

There are two divisions and an executive office in the Commission:

1. Operations Division

    - Project Assessment Branch
    - Compliance and Enforcement Branch
    - Operations Engineering Branch
    - Resource Conservation Branch
    - Program Development Branch
    - Aboriginal Relations and Land Use Branch

2. Corporate Services Division

    - Strategic Planning & Performance Reporting
    - Finance and Administration Branch
    - Human Resources Branch
    - Information Systems Branch
    - Advisory Committee Administration
    - Science and Community Environmental Knowledge Fund Administration

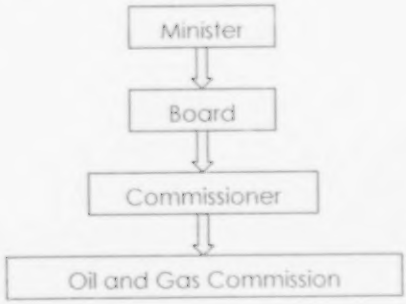
The executive office has responsibility for Stakeholder Relations, Client Services, and Board administration.

The Commission has both clients and stakeholders. Clients are industry firms and their representatives. Those representatives are the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC). Stakeholders are groups and individuals outside of the Commission that may influence decisions. Stakeholders include First Nations, local and regional governments, environmental organizations, community groups, private landowners and others. This grouping is used to simply and concisely categorize external parties who play a role in the operations and development of the organization. Neither group plays a more or less important role than the other.

The Commission does not have business partners in the traditional sense. The Commission has a number of contracted service providers, mostly from within government. These service providers include the BC Public Service Agency and the Ministry of Management Services' Payroll Services and Common Information Technology Services. The OGC has also established operational Memorandums of Understanding (MOU's) with a number of ministries and agencies. The MOU's identify or clarify service levels and articulate how communication or work practices can be improved. The MOU's can assist the Commission to achieve its goals and objectives by promoting clear communication protocols and identifying clear deliverables.

It is important to note the distinction between the Ministry of Energy and Mines and the Oil and Gas Commission. While government determines policy, the Commission regulates according to that policy. The OGC is not responsible to set or directly evaluate government policy. The Ministry of Energy and Mines is the oil and gas resource manager and determines where tenures will be sold and the conditions that will guide activity on those tenures.

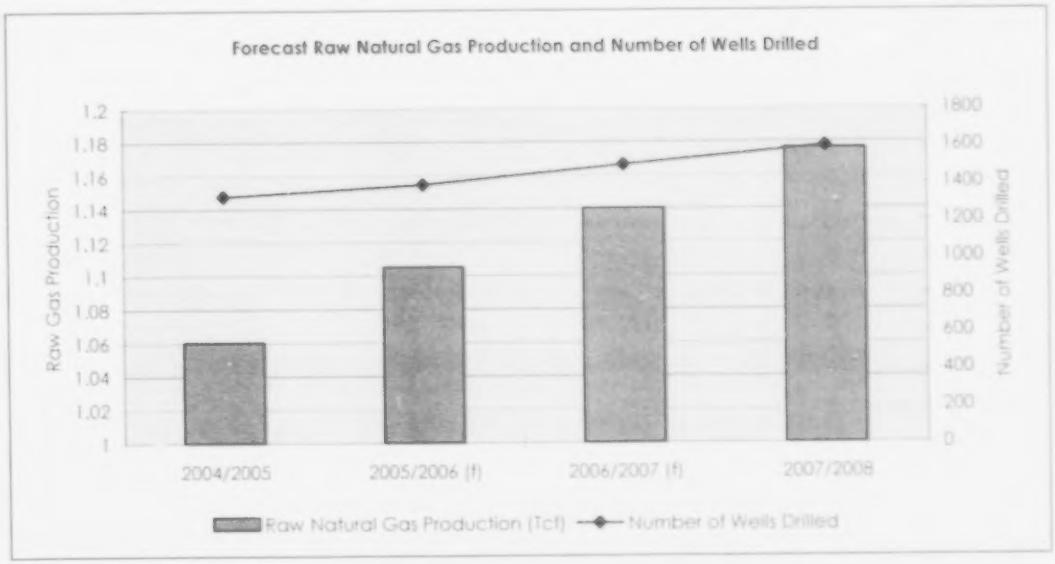
A three-member Board of Directors governs the Commission. The Deputy Minister of Energy and Mines, Dr. Sheila Wynn, is the Chair. The Commissioner, Derek Doyle, is Vice Chair. John Bechtold, a government appointee, is the third Director and chairs the Audit Committee of the Board. The responsibilities of the Board can be found on the OGC website. The Commissioner continues to be responsible for the operations of the Commission.




Information regarding program delivery can be found in Appendix 1.

For 2004/05, the Commission achieved 96% of planned strategies and 82% of planned performance targets. The Commission budgeted for net revenue of $1.3 Million. Due to higher than expected fee revenue, the Commission's actual net revenue was $3.4 Million.

The Commission continues to aggressively pursue business process improvement initiatives as a strategy to manage the continuing growth in the oil and gas sector:




(Source: Ministry of Energy and Mines).

The Commission receives advice from several groups:

- Advisory Committee: A group of eight individuals appointed by government to evaluate Requests for Reconsideration by Alternate Dispute Resolution (under the authority of Section 9 of the *Oil and Gas Commission Act*) and to make recommendations to the Commissioner. Over 86% of recommendations have been implemented. Detailed information on the Advisory Committee is available in Appendix 2.

- Practice Advisory Group: A volunteer group that consists of a steering committee and eight sub-committees, each with expertise in a particular operational area of the oil and gas industry. It is a joint initiative between the Commission and the oil and gas industry that is intended to raise issues of mutual concern and to work toward a resolution of those issues. Over 80% of recommendations have been implemented. Further information about the Practice Advisory Group is available in Appendix 3.

- Best Practices Working Group: A group composed of government and industry members to address regulatory efficiency and service delivery issues in British Columbia related to petroleum and natural gas activities. The Oil and Gas Commission has a representative on the Group. 100% of recommendations related to the OGC have been implemented. Further information about the Best Practices Working Group is available in Appendix 4.

Finally, the Commission receives advice from First Nations, local governments, federal and provincial agencies, CAPP, and SEPAC – along with many other stakeholders who contribute to our continuous improvement.

The Board, Board Audit Committee, and the Advisory Committee all play a role to ensure that Commission staff exercise the duties of their positions in a manner consistent with our core values. They also ensure that services are delivered in a manner consistent with broader public sector values. Those values are outlined in Appendix 5.

In summary, the Oil and Gas Commission provides an important public service by regulating oil and gas activities in the province of British Columbia.

Inter-provincial and international pipelines are regulated by the National Energy Board.

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## Performance Report

### Results of Operations

The 2004-2007 Service Plan identified 25 strategies and 11 performance targets for 2004/05.

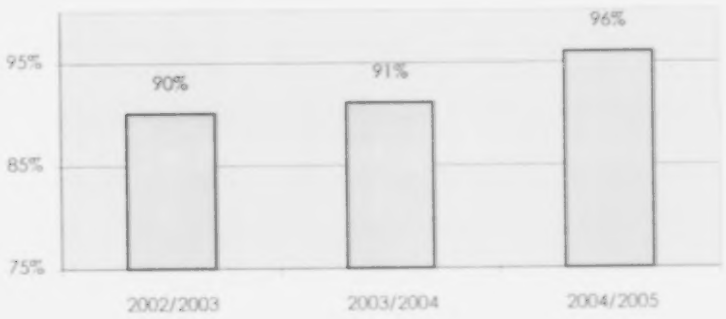
The Commission achieved, or is on schedule for multi-year projects to achieve, 96% of our strategies and 82% of our performance targets. The strategy to encourage the use of General Development Plans (GDPs) by industry was not successful because several First Nation communities either declined to participate in GDPs or requested consultation on individual applications within GDPs. Two of the eleven performance targets were not achieved due to events beyond the control of the Commission. Those two measures are the 'Average calendar days to assess new applications' and the 'Staff Turnover Rate'. Rather than delete or change those two targets during the year, the decision was made to continue to use them and to track progress. Details are provided further in this report.

No new performance measures were introduced during the year, and this is consistent with the last fiscal year. New measures are, however, being introduced in fiscal 2005/06.

The Commission experienced a 9% increase in new applications (for wells, pipelines, and geophysical activities) over last fiscal year. This increase follows on the heals of a dramatic 38% increase last year. It is too early to determine if this signals a slowing growth trend or if it merely reflects temporary industry constraint factors. Nevertheless, the growth in the oil and gas industry is clearly continuing. This growth presents the OGC with both an opportunity and a challenge. To manage the growth, numerous business process improvement projects were initiated; at year end, many were concluded and the remainder are on schedule.

The staffing authorization remained constant from last year at 140 full-time equivalent positions, of which 130 were staffed on average during the year. The difference is due to hiring lags, which in turn are due to recruitment difficulties. Recruitment of professional staff continues to be a major challenge for the Commission primarily due to competition from the private sector.

Notwithstanding these challenges, the Commission is satisfied with the level of performance achieved over the past year because of the percent of (and trend in) strategies accomplished:



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In the following pages, we have set out the results of operations according to our Service Plan goals. The first three goals are *core* and are directly related to the *Oil and Gas Commission Act*. The associated objectives and measures are important because they are tied to statutory obligations. The public and legislators can therefore be assured that the Commission is doing its corporate duty. The fourth goal involves regulatory reduction and single-window service. It is a temporary or transitional goal because there is a probable end-point. It is an important goal because it helps to create a positive economic environment, drive improved internal efficiencies, and promote alignment with government direction. The fifth goal involves nurturing a personal-best performance environment for staff. This goal is important because a stable, skilled and professional staff complement can help to make internal operations more efficient and effective. Finally, the sixth goal involves the financial health of the organization. Financial health can sustain and promote an enduring, effective and stable organization.

The *critical* measures are the Major Compliance measures (because they involve environmental protection) and the Average Days measure (because it involves operation efficiency and client satisfaction).

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## Goal 1

We will continue to improve public safety, protection of the environment, and conservation of petroleum resources.

### Objective

To increase the level of compliance by the petroleum industry.

### Strategies

- ☑ To implement a risk-managed and performance-based inspection system.
- ☑ To further enhance the single-window model by integrating multi-agency enforcement services for the oil and gas sector.
- ☑ To improve compliance-rates and efficiencies through greater automation of business processes.
- ☑ To increase the level of compliance by conducting support and education programs to serve industry, First Nations, and private landowners.
- ☑ To increase the number of production facility audit inspections, field inspections of emergency response plan exercises, and to upgrade the OGC Emergency Management Plan.

### Measures

| | 2004/05 Target | 2004/05 Result | 2005/06 Target | 2006/07 Target | 2007/08 Target |
|---|---|---|---|---|---|
| **Major compliance: Exploration & Development** | 90% | ☑ | 92% | 92% | 92% |
| **Major compliance: Facilities, Drilling Rigs & Operations** | 96% | ☑ | 97% | 97% | 97% |

- The baseline results are 79% (2001/02) and 93% (2002/03) respectively. The measures have changed slightly over the last three years, which prevents detailed annual comparisons.
- The Commission was able to surpass the targets because of increased compliance and enforcement activities and increased education of industry.
- The benchmark for these measures is the Alberta Energy and Utilities Board (AEUB) measure: Percent of Major and Serious unsatisfactory incidence of non-compliance related to field inspection results: 2003 Actual: 3.14% 2005 Target: < 3.5%.
- The measures were selected because they involve public safety, protection of the environment, and conservation of resources.
- The measures are relatively objective; results are based on audits and inspections by Compliance and Enforcement staff. Management's confidence in the accuracy of the data is therefore relatively high.
- The measures demonstrate a linkage with government priorities because a government goal is "Safe, healthy communities and a sustainable environment". (BC Government Strategic Plan for 2004/05 to 2006/07).
- Efforts will continue to improve industry compliance through such actions as conducting joint audits with other agencies as well as by holding support and education programs.

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## Goal 2

We will make timely and informed decisions based upon the input we receive.

### Objectives

1. To increase the efficiency of application processing for all.
2. To increase the amount of data and information available to industry, First Nations, and stakeholders.

### Strategies

X To encourage the use of General Development Plans (GDPs) by industry.

☑ To broaden the use of electronic submissions by industry.

☑ To assess our business processes and make improvements where justified that can materially affect our service levels.

☑ To continue to upgrade electronic information systems and program management tools.

### Measure

| | 2004/05 Target | 2004/05 Result | 2005/06 Target | 2006/07 Target | 2007/08 Target |
|---|---|---|---|---|---|
| **Average calendar days to assess new applications** | 21 | 27 | 20 | 19 | 18 |

- The baseline result is 34 days (2001/02). The results for 2002/03 were 29 days, and for 2003/04 were 27 days.
- The Commission was not able to achieve the target because several First Nation communities either declined to participate in General Development Plans (GDPs), or requested consultation on individual applications within GDPs. These plans are an area-based approval system which have in the past yielded significant efficiencies to First Nations, the Commission, clients and stakeholders.
- The benchmark is from the State of Colorado: "Process all complete drilling and recompletion permit applications within 30 days". No published results. Please refer to http://oil-gas.state.co.us/ and to Appendix 6.
- This measure was selected because industry needs certainty for operational planning purposes. It is also an indicator of Commission efficiency.
- This performance measure is objective. Data is retrieved monthly by an independent data professional. Audits are generated automatically on the appropriate tables. Management has high confidence in the accuracy of these data.
- This measure demonstrates a linkage with government priorities because a government strategy is to "Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery".
- The Commission will continue to target decreased application timelines. While issues with General Development Plans may continue next year, it is anticipated that technological and process improvements will help win support for GDPs.

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## Goal 3

We will strengthen our relationships with stakeholders, First Nations, and clients.

### Objectives

1. To improve relationships with stakeholders, First Nations, and clients.
2. To broaden appropriate dispute resolution to all aspects of decision-making.
3. To improve First Nations' access to data and information.
4. To reduce oil and gas land use conflicts.

### Strategies

- ☑ To collaborate with ministries and stakeholders in implementing measures to reduce land use conflicts.
- ☑ To increase the number of First Nations with access to OGC G.I.S. data.
- ☑ To develop a survey tool and establish baseline data on the satisfaction of our clients.
- ☑ To develop and implement a living Agenda for Action with CAPP and SEPAC, including quarterly reviews.

### Measures

| | 2004/05 Target | 2004/05 Result | 2005/06 Target | 2006/07 Target | 2007/08 Target |
|---|---|---|---|---|---|
| **Percent of applications responded to by First Nations.** | 80% | ☑ | 80% | 80% | 80% |

- The baseline result is 75.2% (2001/02). No benchmark data are available; please see Appendix 6.
- Strategies that led to the target being surpassed include creating enhanced consultation activities, establishing closer working relationships, and encouraging increased participation as a result of the Economic Measures Fund.
- The measure demonstrates a linkage with government priorities because a government strategy is to "Establish workable relationships with First Nations communities".
- The data was retrieved from an OGC operating system. Management has high confidence in the accuracy of the data.

| | | | | | |
|---|---|---|---|---|---|
| **Client Satisfaction** | Establish Baseline | ☑ | TBA | TBA | TBA |

- The benchmark for client satisfaction comes from the AEUB: Industry satisfaction: 2003 Actual: 84%. Target: 80% or higher. Please refer to http://www.eub.gov.ab.ca/bbs/default.htm.
- This measure demonstrates a linkage with government priorities because a government strategy is to "Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery".
- The data was calculated from a survey of OGC clients. In the future, the polling will be done by an independent firm. Management has reasonably high confidence in the data because of the methodology and sample size.
- Performance targets will be developed now that baseline data exists.

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## Goal 4

We will improve our operations and broaden our single-window service to industry.

### Objectives

1. To establish a regulatory framework that enables improved delivery of services to industry.
2. To move towards results-based regulation where appropriate.

### Strategies

☑ To continue to seek, develop, and implement opportunities for regulatory streamlining and reductions and to optimize one-window responsibilities of the Commission.

☑ To work with the Ministry of Energy and Mines to improve our legislative and regulatory framework.

☑ To initiate a new cycle of business-process and efficiency reviews.

### Measures

| | 2004/05 Target | 2004/05 Result | 2005/06 Target | 2006/07 Target | 2007/08 Target |
|---|---|---|---|---|---|
| **Number of Regulations** | 4,892 (33%↓) | ☑ | N/A | N/A | N/A |

- The baseline for this measure is 7,338 (2001/02). The results for 2002/03 were 6,300, and for 2003/04 were 5,430.
- This measure was selected because updated regulations benefit both industry and the Commission, and because the measure demonstrates alignment with government's deregulation initiative and strategy to "Continue to streamline government's legislation and regulations".
- This performance measure is objective. The Commission maintains a running count of regulatory requirements. Management's confidence in the accuracy of the data is high because reconciliations are made to the count by government.
- No further performance targets are in place because the deregulation initiative concluded in June 2004.

| | | | | | |
|---|---|---|---|---|---|
| **Percent of regulatory requirements within the Commission's jurisdiction** | 90% | ☑ | N/A | N/A | N/A |

- The baseline for this measure is 65% (2001/02). The results for 2002/03 were 85%, and for 2003/04 were 90%.
- This measure is computed by looking at all regulatory functions that affect oil and gas companies and assessing the number for which the Commission is responsible.
- This measure was selected because it brings certainty and simplicity to industry, efficiency and effectiveness to Commission operations, and alignment with government's single-window business approach.
- Management's confidence in the accuracy of the data is relatively high because the seasoned judgment of several senior managers is used.
- This measure demonstrates a linkage with government priorities because a government strategy is to "Continue to expand one-stop permitting and licensing in key sectors".
- Strategies that led to the target being achieved included the signing of several MOU's with partner agencies.
- No further performance targets are in place because a more meaningful measure has been developed: "Number of agencies that clients must work with on applications".

| | | | | | |
|---|---|---|---|---|---|
| **Unit Cost Measure** | <$4,500 | ☑ | N/A | N/A | N/A |

- The baseline for this measure is $4,969 (2002/03). The results for 2003/04 were $4,620.
- This measure demonstrates a linkage with government priorities because a government strategy is to "Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery".
- The measure was selected because it is a reflection of internal efficiencies.
- Management has high confidence in the accuracy of the measure because the operating data is independently produced and the financial data is independently verified.
- No further performance targets are in place because more meaningful measures have recently been developed. Please refer to the 2005-2008 Service Plan.
- Increased activity assisted in reducing unit costs.

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## Goal 5

We will nurture a personal-best performance environment for our employees.

### Objectives

1. To enhance employee capabilities.
2. To enhance leadership capabilities.
3. To improve employee retention.

### Strategies

☑ To broaden the use of formal performance appraisals and apply 360° reviews for senior leaders.

☑ To invest more in training and development related to identified skill or knowledge gaps, leadership capabilities, and health and safety.

☑ To establish a reward and recognition program for superior performance.

☑ To prepare a business case to government to propose retention enhancement strategies, such as compensation proposals for targeted positions, if supported by data.

### Measures

| | 2004/05 Target | 2004/05 Result | 2005/06 Target | 2006/07 Target | 2007/08 Target |
|---|---|---|---|---|---|
| **Staff Turnover Rate** | 10% | 11.4% | 9% | 8% | 7% |

- The baseline for this measure is 9% (2000/01). The results for 2002/03 were 5%, and for 2003/04 were 6%.
- The benchmark for this measure is the Government of BC's Regular Employee Voluntary Turnover Rate: 2.4%
- The Commission was not able to achieve the target for the year because of staff retention challenges. Exit interviews are now conducted for all staff departures to identify core issues and options to reduce turnover.
- The results of this measure are objective: data is retrieved from the Corporate Human Resource Information System. Management confidence in the accuracy of the data is therefore high.
- This measure demonstrates a linkage with government priorities because a government strategy is to "Promote and sustain a renewed professional public service".

| | | | | | |
|---|---|---|---|---|---|
| **Percentage of employees with a performance plan in place and/or formal performance evaluation completed within the last 18 months.** | 100% of Excluded Employees | 100% of Excluded Employees ☑ | 100% of Employees | 100% of Employees | 100% of Employees |

- The Commission was successful in achieving the planned target for the year through establishing an internal procedure and tracking progress closely.
- No benchmark has been found to date. The measure is new and no baseline information is available.
- This measure was selected because performance evaluations and planning are required to establish a personal-best performance environment at the individual and corporate levels.
- This measure demonstrates a linkage with government priorities because a government strategy is to "Promote and sustain a renewed professional public service".

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## Goal 6

We will generate and sustain a financial position – fully supported by industry – that is fair, reasonable, and includes sufficient working capital.

### Objectives

1. To achieve targeted financial results.
2. To convey accurate and meaningful financial information.
3. To ensure that the Commission is fiscally responsible.

### Strategies

☑ To introduce a refined financial information system, monitor variances closely, and take any necessary corrective action.

☑ To establish a fair allocation of revenue between fees and levies.

☑ To implement prudent cash and investment management strategies.

☑ To ensure adequate financial and human resource capacity exists before assuming additional regulatory responsibilities.

☑ To develop and implement an Enterprise Risk Management Program and Internal Control Review.

### Measure

| | 2004/05 Target | 2004/05 Result | 2005/06 Target | 2006/07 Target | 2007/08 Target |
|---|---|---|---|---|---|
| **Percent of costs covered by revenue** | 100% | ☑ | N/A | N/A | N/A |

- The baseline for this measure is 95% (1998/99).
- No benchmark has been found to date.
- The Commission surpassed the target because fee revenue was higher, and salary costs lower, than originally forecast.
- The measure demonstrates a linkage with government priorities because a government strategy is to "Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery".
- The measure was selected to provide an indication of financial health for the organization.
- This measure is being deleted and replaced with two other measures which are felt to be more meaningful. Please refer to the 2005-2008 Service Plan.

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**Operations Division**

The Operations Division is composed of six branches:

- Compliance and Enforcement
- Operations Engineering
- Project Assessment
- Resource Conservation
- Program Development
- Aboriginal Relations and Land Use

The Compliance and Enforcement Branch strives to ensure the province's petroleum resources are explored, developed, maintained, transported, and utilized in a safe, efficient and environmentally sound manner, consistent with statutory and permit requirements.

The Operations Engineering Branch's purpose is to regulate the development and extraction of oil and gas. Responsibilities include public safety, environmental and fiduciary interests, rights of subsurface tenure holders, and resource information. This branch provides technical support to the other branches within the Operations Division. its duties relate to management of the operational activities associated with developing and producing oil and gas subsurface resources in order to conserve oil and gas resources and major pools within the provincial proven reserves.

The Project Assessment Branch provides effective and efficient processes for the review of applications related to oil and gas activities (i.e. Geophysical, Wells, Pipelines, and Facilities), and approves applications that serve the public interest concerning environmental, economic, and social impacts.

The Resource Conservation Branch renders decisions, and ensures compliance with these decisions on oil and gas development and conservation proposals. The goal is to optimize resource recovery and provincial revenues while protecting the rights of tenure holders. The branch also provides technical information to industry in support of development of the province's hydrocarbon resources.

The Program Development Branch is responsible for providing policy, practices and technical services to the Operations Division of the OGC, providing strategic advice to the Executive, and providing leadership to a range of technical services functions including operational standards and best management initiatives; audits of corporate due diligence systems; regulatory reform; support to Treaty Negotiations and Inter-government affairs; program development; internal quality control; strategic land use planning; corporate and special projects; and operational changes.

The Aboriginal Relations and Land Use Branch strives to foster mutually beneficial working relationships with First Nation communities. Team members act at times as facilitators between industry and the First Nations. The Branch is responsible for consulting First Nation communities about the oil and gas industry and its regulation; working with the Program Development Branch in creating appropriate legislative and policy frameworks; and representing the interests of the oil and gas sector in land use and environmental planning processes undertaken by the province.

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***Operations Division – Achievements for 2004/05:***

**Goal 1**

- ☑ Developed and implemented a risk-based inspection system, developed a framework for results-based inspections, and performed a results-based/risk-managed inspection pilot with 3 industry clients
- ☑ Worked with other regulatory agencies (such as Department of Fisheries and Oceans; Ministry of Water, Land and Air Protection (WLAP); and the Boilers Branch) to further the Single-Window enforcement approach
- ☑ Identified, developed and managed Compliance and Enforcement (C&E) process automation opportunities
- ☑ Conducted annual workshop for Calgary based Industry and Northeast BC Industry
- ☑ Used work experience opportunities for First Nations capacity development
- ☑ Created secondment opportunities for Industry and OGC
- ☑ Participated with industry on field Emergency Response exercises
- ☑ Conducted an annual OGC Emergency Management Plan real – time drill and performed an annual review
- ☑ Consulted with stakeholders, prepared materials, and facilitated distribution internally and externally
- ☑ Participated in strategic land use planning initiatives
- ☑ Developed geophysical guidelines
- ☑ Participated in West Moberly and Saulteau First Nations project
- ☑ Ensured extension of Science and Community Environmental Knowledge (SCEK) Fund project results
- ☑ Developed a petroleum roads regulation (*Petroleum and Natural Gas Act*) for approval

**Goal 2**

- ☑ Performed a GDP review with applicable Calgary clients
- ☑ Held GDP "lessons learned" workshop in Calgary and Northeast BC
- ☑ Conducted scoped 3rd party business process review of pipeline application process and identified e-submission opportunities
- ☑ Implemented and managed business process changes
- ☑ Researched contemporary regulatory management tools through our peer groups
- ☑ Produced materials to share information on business processes and improvements, Conflict Management System, and Coalbed gas
- ☑ Established a calendar of regulatory workshops, coalbed gas workshops and forums
- ☑ Supported and participated in the Malibu Pilot Project
- ☑ Implemented the Ministry of Sustainable Resource Management (MSRM)/OGC Protocol Agreement
- ☑ Enhanced the archaeology and First Nation consultation process
- ☑ Implemented the "Millenium" predictive mapping project for archaeological sites
- ☑ Expanded the use of professionals in the regulatory process

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**Goal 3**

- ☑ Developed Landowner information guidebook
- ☑ Developed C&E Community awareness program for Oil and Gas activities
- ☑ Developed Landowner Communications and Liaison Protocol
- ☑ Performed client satisfaction survey
- ☑ Maintained an action register for CAPP / SEPAC
- ☑ Published and distributed information on coordinating and information sharing between tenure holders
- ☑ Improved the client services provided by the OGC through Service Orientation training and a Client Services Strategy
- ☑ Planned, scheduled and coordinated thematic workshops
- ☑ Developed a strategy to deliver services outside of the Northeast by utilizing WLAP, Land and Water BC (LWBC), MSRM MOU services
- ☑ Participated with inter-agency and industry working groups to identify and resolve issues

**Goal 4**

- ☑ Reviewed all documented processes and activities
- ☑ Developed MOU's and service agreements with other regulatory bodies
- ☑ Developed and integrated an OGC enforcement model
- ☑ Provided timely input and appropriate resources to support the Oil and Gas Regulatory Improvement Initiative (OGRII)
- ☑ Initiated and participated on projects to improve the oil and gas regulatory framework - flare reduction, Environmental Stewardship Program, well test flaring, woodlots, etc.
- ☑ Developed results-based regulatory instruments for application by the OGC consistent with the provincial policy and framework
- ☑ Led and coordinated OGC input and work with Ministry of Energy and Mines (MEM), industry, and public advisory groups and other government agencies to develop a single window legislative approach
- ☑ Developed implementation guidelines in cooperation with industry and stakeholders to ensure implementation of land use plans (e.g. Muskwa-Kechika Management Area Pre-tenure Plans)

**Goal 5**

- ☑ Conducted performance appraisals and 360 reviews on senior leaders
- ☑ Supported retention enhancement strategies including inclusive divisional team building, planning and performance management and review activities

**Goal 6**

- ☑ Provided input and recommendations to relevant SCEK projects
- ☑ Developed regulation amendments for changes to fees and levies with Corporate Services Division

**Corporate Services Division**

The mandate of the Corporate Services Division is to fulfill financial and administrative responsibilities identified by statute in the *Oil and Gas Commission Act*, the *Financial Information Act*, the *Budget Transparency and Accountability Act*, the *Freedom of Information and Protection of Privacy Act*, and related Regulations and Directives.

The core responsibilities of the Corporate Services Division are to:

- Develop and implement finance and administration policies and procedures
- Provide finance and administration advice and assistance
- Manage finance and administration processes
- Manage information systems and technologies
- Provide secretariat services to the Advisory Committee
- Provide budget and expenditure management information and advice
- Lead strategic planning exercises, prepare the Service Plan, monitor corporate performance and report-out quarterly
- Prepare the Annual Service Plan Report
- Provide training and recruitment co-ordination services
- Provide strategic Human Resource services
- Provide functional direction to the SCEK Fund Manager

Services related to these core responsibilities are delivered by Commission staff.

Other entities deliver supplementary or complementary services. Human resource services are provided by the BC Public Service Agency under a Service Level Agreement. Certain technology services are provided by Common Information Technology Services, also under a Service Level Agreement. Payroll services are provided by the Ministry of Management Services.

Contracted services provided by government entities are annually evaluated on a value-for-money basis by Corporate Services staff. Contracted services provided by private firms are evaluated throughout the year, with a rigorous review at the completion of the contract.

Service delivery is provided and administered in a manner consistent with public sector values. Those values include probity, prudence, legality, economy, efficiency, and effectiveness. The division ensures such an approach through adherence to Commission and government policies and procedures, supervisor and management review, and the independent review of auditors.

OGC

***Corporate Services Division – Achievements for 2004/05:***

**Goal 4**

- ☑ Completed a business process review of Information Technology services and branch
- ☑ Completed a business process review of Finance and Administration services and branch
- ☑ Completed a performance metrics improvement project
- ☑ Implemented a pipeline information systems upgrade
- ☑ Implemented electronic submission of well drilling results
- ☑ Completed the migration of Integrated Resource Information System (IRIS) to Developer 9
- ☑ Established independent and professional data analysis service contract
- ☑ Transferred e-Pass to production
- ☑ Executed three data sharing agreements with industry
- ☑ Executed MOU with the BC Assessment Authority
- ☑ Developed a business continuation model
- ☑ Purchased and installed four new servers
- ☑ Participated in a performance benchmarking project with Alberta
- ☑ Improved performance reporting in five categories according to independent review

**Goal 5**

- ☑ Tracked and reported on Service Plan performance results
- ☑ Completed a Succession Plan covering Executive, Senior Management, and Program Managers
- ☑ Led a Remuneration Review Project for targeted positions with a demonstrated recruitment and retention problem
- ☑ Documented the "House of OGC" concept, a comprehensive recruitment model, and worked with local government and industry to recruit professionals locally
- ☑ Completed an Employee Skills Roster
- ☑ Completed Exit Interviews of all departing staff

**Goal 6**

- ☑ Completed a project to have the OGC Operational Records Classification System approved by the Legislature
- ☑ Assumed responsibility to perform drilling deposit recommendations
- ☑ Introduced a standard template to assess the financial implications of program proposals
- ☑ Completed a lease-buy analysis for computers and executed a 'buy' strategy resulting in savings of $48,750 per year
- ☑ Completed a business case analysis for end-user support and hired an End User Support Technician resulting in savings of $108,250 per year over contracted services
- ☑ Led the independent cost driver analysis project

OGC

## Financial Report

### Management Discussion and Analysis

*Results of Operations*

The Commission budgeted for revenue to exceed expenses in the amount of $1.284 Million. The Commission ended the year with revenue exceeding expenses by $3.418 Million.

| Summary Financial Results ($000) | 1999/2000 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Budget | 2004/05 Actual |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Fees* | 7,653 | 11,355 | 9,877 | 10,904 | 14,019 | 14,172 | 16,243 |
| Levies | 5,365 | 5,579 | 6,581 | 6,756 | 6,221 | 10,438 | 10,283 |
| Miscellaneous | 105 | 326 | 178 | 102 | 120 | 50 | 85 |
| **Total Revenues*** | **13,123** | **17,260** | **16,636** | **17,762** | **20,360** | **24,660** | **26,611** |
| **Expenses** | | | | | | | |
| First Nations | 6,236 | 4,945 | 7,971 | 5,347 | 8,779 | 7,910 | 9,819 |
| Salaries and Benefits | 5,327 | 4,361 | 5,090 | 6,272 | 8,343 | 10,514 | 8,934 |
| Operating Expenses | 2,716 | 2,330 | 2,690 | 3,314 | 3,959 | 5,047 | 4,535 |
| **Total Expenses** | **14,279** | **11,636** | **15,751** | **14,933** | **21,081** | **23,471** | **23,288** |
| **Operating Income (Loss)*** | **(1,156)** | **5,624** | **885** | **2,829** | **(721)** | **1,189** | **3,323** |
| Amortization of Contributed Assets | | 886 | 142 | 69 | 95 | 95 | 95 |
| **Net Income (Loss)*** | **(1,156)** | **6,510** | **1,027** | **2,898** | **(626)** | **1,284** | **3,418** |

* These figures are the restated amounts resulting from the prior period adjustment in 2005.

The variance to the budget is the result of:

- Increased industry activity, which drove fee revenue up 15% over the budgeted amount. For example, the Commission budgeted for 1500 well authorizations; 1699 well authorizations were actually processed during the year.
- Higher than expected First Nations payments. A new budgeting model for First Nations payments is now in place to improve forecasting accuracy.
- Lower than expected Salaries and Benefits, which were the result of hiring lags and deferrals.

The variance to last year's results reflects:

- Increased industry activity, which led to increased fee revenue;
- Higher First Nations payments, which are tied directly to industry activity; and,
- Increased expenses for facilities and equipment.

The very positive financial results for fiscal 2004/05 had certain core causes:

- Extremely high commodity prices; and,
- A favourable investment climate.

The expectation is that the positive trend in industry activity will continue for the foreseeable future.

Capital expenditures for the year were $545,000 and reflects investments in facility renovations, vehicles, and equipment.

The Commission is funded by the oil and gas industry. Commission revenues have two components. The first component is the levy, which is based on oil and gas production. It is fairly stable and changes slowly as overall production changes. It is somewhat linked to commodity prices: pricing trends influence activity, and over the long term activity levels affect production. The second component is fees. Fee revenue is related directly to exploration activity and is volatile, changing quickly based on commodity prices and other factors.

Funding was quite sufficient to meet operating requirements, strategies and targets. This is evidenced by the significant achievement of performance strategies and targets.

The Commission is not bound by the *Financial Administration Act*, and carries forward operating surpluses and deficits in Net Assets (sometimes referred to as Retained Earnings in other organizations or the private sector). The intention of the OGC is to generate sufficient income and cash to meet operating needs. This broad expectation is taken into account when the annual budget is being developed.

The budgeting and planning cycle is outlined in the following table. Resource allocation decisions are made in this annual cycle:

| | |
|---|---|
| **Summer** | Board gives management overall strategic direction for the upcoming year |
| | Management undertakes strategic planning exercises and identifies program priorities |
| **Fall** | Commission receives budget guidance from the CAPP/SEPAC and the Board |
| | Commission creates the draft budget |
| | Commission presents the draft budget to CAPP/SEPAC and the Board |
| **Winter** | Commission seeks CAPP/SEPAC concurrence with the final draft budget |
| | Board approves the budget |
| | Budget is tabled in the Legislature |
| **Spring** | Budget is delegated to responsibility centre managers |

Corporate Services Division prepares quarterly financial statements at June 30, September 30, December 31 and March 31 to identify forecast or actual net revenue and the closing cash balance.

*Oversight*

The Board and Board Audit Committee provide an oversight role in the governance of the Commission. Oversight activities include ensuring that appropriate plans and policies are in place, approving the Commission's budget and service plan, reviewing the Commission's performance to planned targets, and approving the organizational structure and level of staffing.

Financial statements of the Commission and the Science and Community Environmental Knowledge (SCEK) Fund are audited by the Auditor General of British Columbia.

The Advisory Committee provides a level of oversight with respect to operating decisions. Any interested party may initiate a request for reconsideration by Alternate Dispute Resolution (ADR) to the Advisory Committee if they feel that a better original decision could have been made through ADR. The Advisory Committee is independent of the Commission. Information about the Committee is available in Appendix 2.

*Key Performance Drivers*

1. Business & Policy Environment

- Industry Activity:

  A level of industry activity that approximates the forecast level is essential for the Commission to achieve its goals and objectives. Otherwise, revenue will be insufficient to meet operating needs. To mitigate this risk, the Commission works closely with the Ministry of Energy and Mines, and other parties to ensure that forecasts are as accurate as possible. Staff also watch exploration and production data closely to identify trends.

- Regulatory Environment:

  A results-based and single-window regulatory framework is necessary to promote operational efficiencies and client satisfaction. Significant progress has been made to date, and the Commission has adopted a number of strategies to further an improved regulatory framework. Please refer to the 2005-2008 Service Plan.

2. Internal Environment

- Information Systems:

  Data and information are vital for effective decision making. Numerous improvements have been made throughout the Commission's information systems. For example, over 200 minor upgrades to IRIS were completed during the year. A data improvement project is well underway to improve pipeline data integrity. A corporate metrics project was completed in the year and enhancements were made. Other improvements are scheduled or in-progress.

- Staff:

  Service delivery competence is critical for the Commission to achieve its vision of being "the regulatory leader". Staff capability is a key ingredient of this competence. The Commission has taken a number of steps to address this performance driver. Targets for employee performance appraisals have been established and are closely monitored. A Recruitment and Training Coordinator and a Strategic Human Resources Manager were staffed during the year. A corporate Human Resources Plan was approved and implemented. Training and professional development guidelines were created. These initiatives will go far in ensuring that staff competencies are enhanced.

*Risk*

At the start of the year, the Commission identified three uncontrollable and two controllable risks:

Uncontrollable:

- Commodity price fluctuations
- Commodity volume fluctuations
- Weather

Controllable:

- Organizational capacity to manage growth and change
- Employee retention

Commodity prices rose during the year, breaking $50 USD/barrel of oil numerous times. This price increase positively affected operations by increasing the level of industry activity as explorers sought to bring more plays on stream. There were no material volumes or weather impacts during the year, aside from a moderately early spring break-up.

With the continuing high level of industry activity, organizational capacity to manage that growth became very important. The Commission mitigated this risk by aggressively improving business processes. The intention is to streamline processes and to ensure that activities are required by legislation or regulation, or *add value*.

Retaining employees, especially at the professional level, has become especially important in the current business environment. The Commission has embarked on several human resource initiatives both internally and externally to ensure that professional staff are retained; we will monitor results closely to determine their effectiveness.

During the year, a risk matrix was developed with the assistance of an independent risk management professional. The matrix identified six key risks:

1. Economic
2. Worker Safety
3. Public Safety
4. Public Confidence
5. Environment
6. Compliance

The results of the assessment will be used by the Operations Division to develop an Enterprise Risk Management Plan. The plan will:

- Identify and explain risks facing the Commission
- Categorize the risks between short- and long-term
- Describe the Commission's tolerance to risk
- Identify strategies for managing risk

*Cost Patterns*

Variable costs make up the greater proportion of Commission expenses. Variable costs include salaries and benefits, First Nations payments, and operational payments. Payments to First Nations are based on MOU's or Agreements, and are tied to industry activity. Approximately $5800 of every Well Authorization fee goes directly to First Nations.

Fixed and semi-fixed costs include facility and vehicle lease payments. The Commission has leased office space in Fort St. John, Fort Nelson, Kamloops, and Victoria. The Commission also has leased vehicles.

*Capacity*

Current capacity is approximately 1700 to 1800 well authorizations per year, given the results of operations for the year (1699 well authorizations were processed).

The forecast for 2005/06 is 1750 well authorizations. However, the forecast for 2006/07 is 1875 well authorizations in light of the expected growth in the oil and gas industry. The Commission is actively making improvements to business processes and to information systems to address this capacity challenge.

The primary capacity constraint are some relatively resource-intensive business processes. Business process improvements will therefore remain a key strategy.

The secondary capacity constraint are our information systems. They function well at the operating level, but they provide limited tactical information and no strategic information. Numerous improvements are underway, including an alternative service delivery model to ultimately automate application processing.

Capacity is improving, and any impediments to increasing capacity will be identified and solutions vigorously pursued.

*Data Integrity*

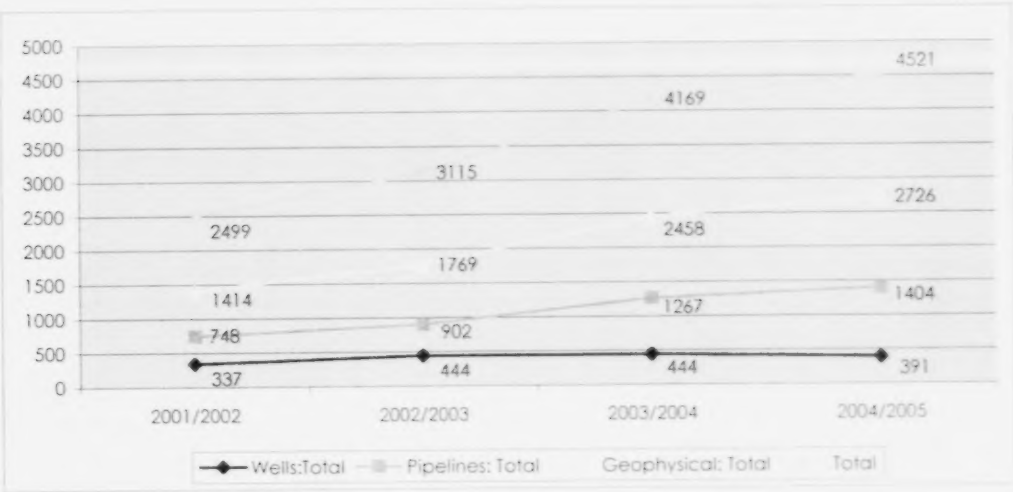
Management's confidence in the integrity of financial data is high. The Commission uses two common and effective financial software packages: ACCPAC and CaseWare. Essentially, ACCPAC is used to enter financial transactions and CaseWare is used to present financial information.

Management's confidence in the integrity of operating data is moderate. Errors have been identified in our pipeline data. A project to correct the errors is in progress and the Commission is working with industry to reconcile the data.

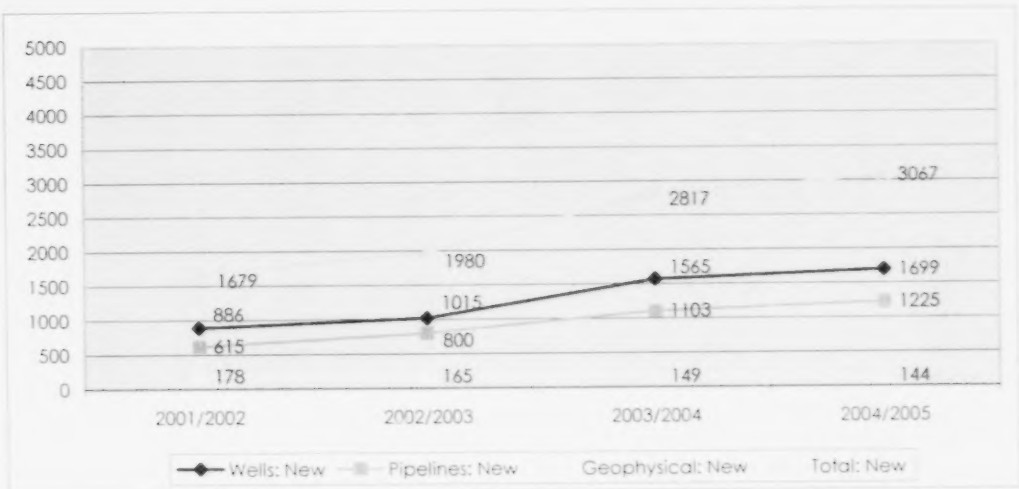
The Commission has an Information Systems branch that manages the development and maintenance of operating systems. Controls are in place to ensure the integrity of operating data. For example, audits can be conducted on IRIS tables.

*Historical Operating Data*

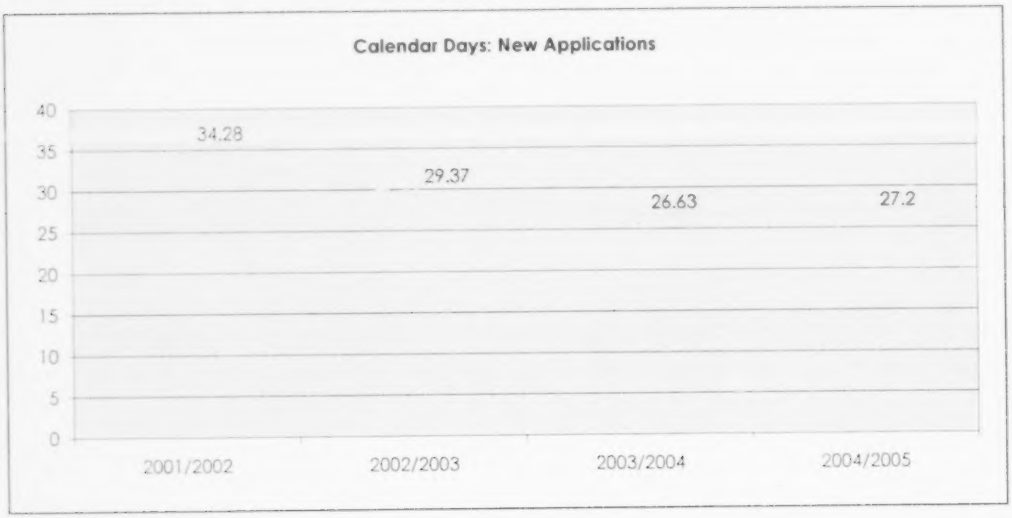
- The number of total applications (which includes new and amended applications for wells, pipelines and facilities) increased 8% over the previous fiscal year:



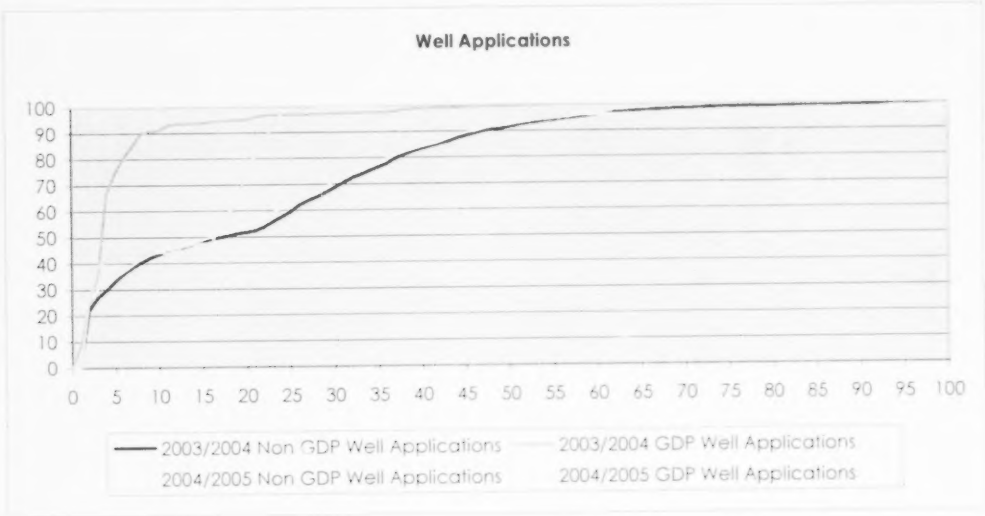

- The number of new applications increased 9% over the previous fiscal year:



- The number of calendar days to assess projects increased from the previous fiscal year, and did not meet the target of 21 calendar days. The principal reason was that General Development Plans proved less effective than last year.




- General Development Plans are an area-based project assessment option for industry clients. Traditionally, applications processed through GDPs have shorter timelines and would be represented by a steeper curve on the graph below. The difference between the pink and blue lines represents the decrease in efficiency in GDP applications due to increased review time with certain First Nations.



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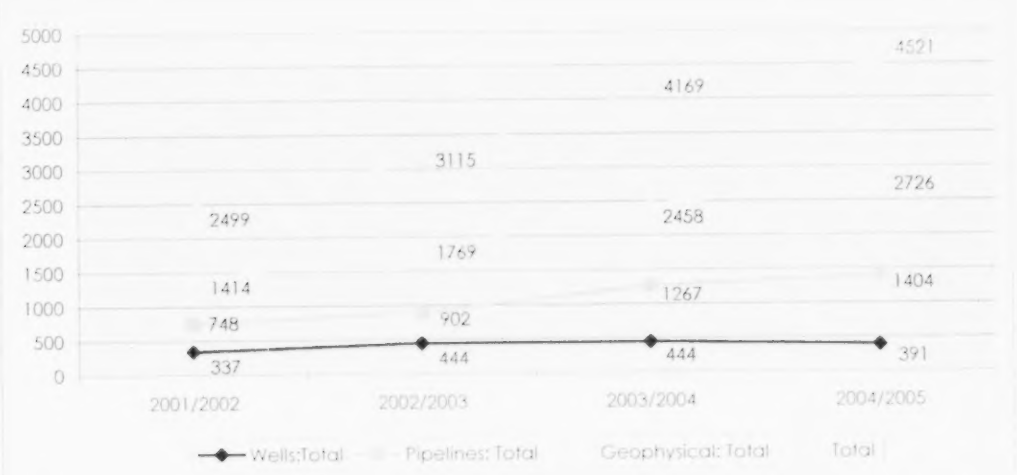


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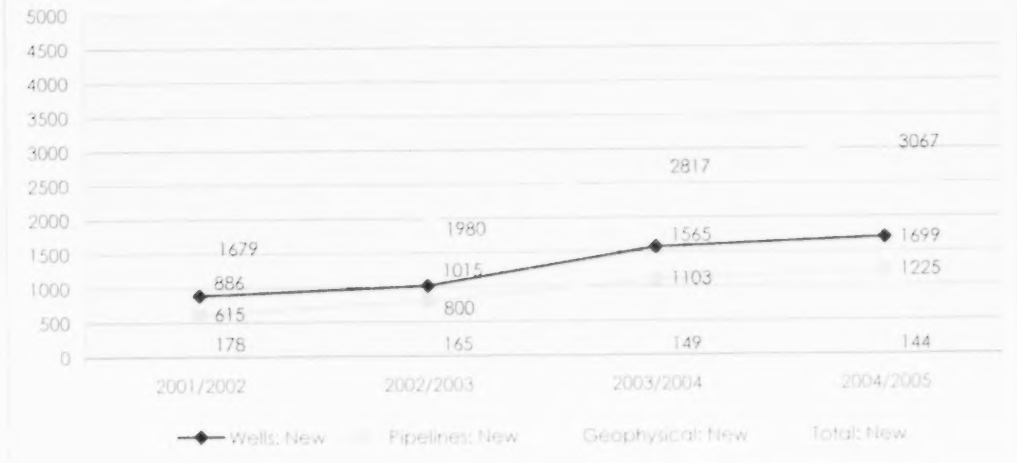

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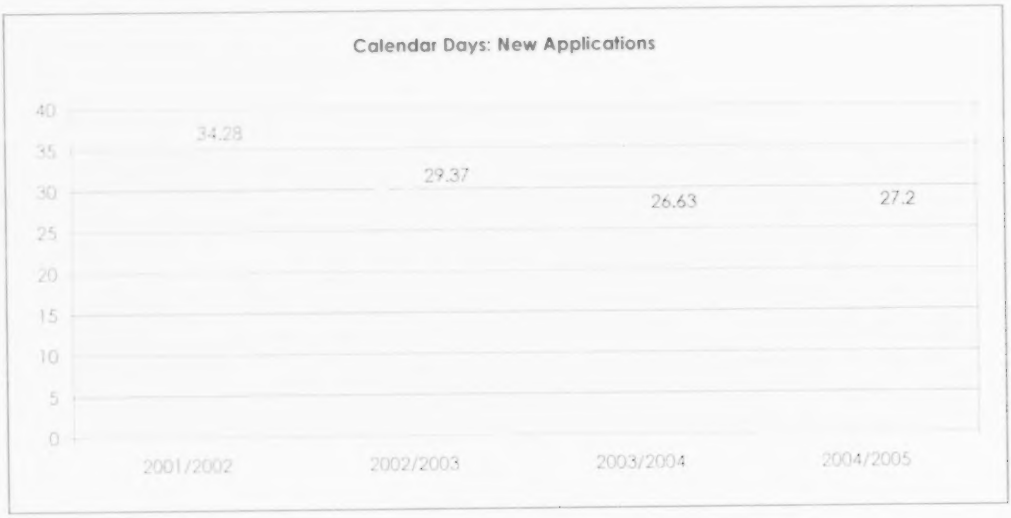


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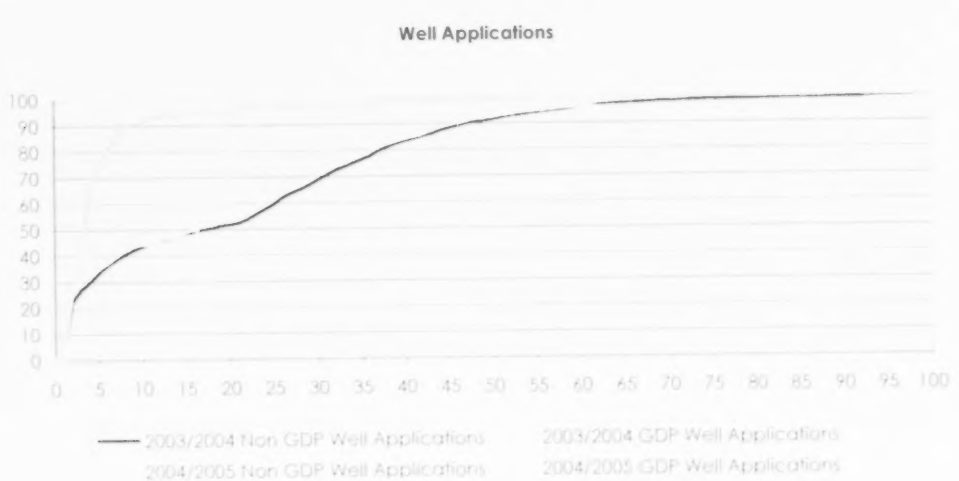
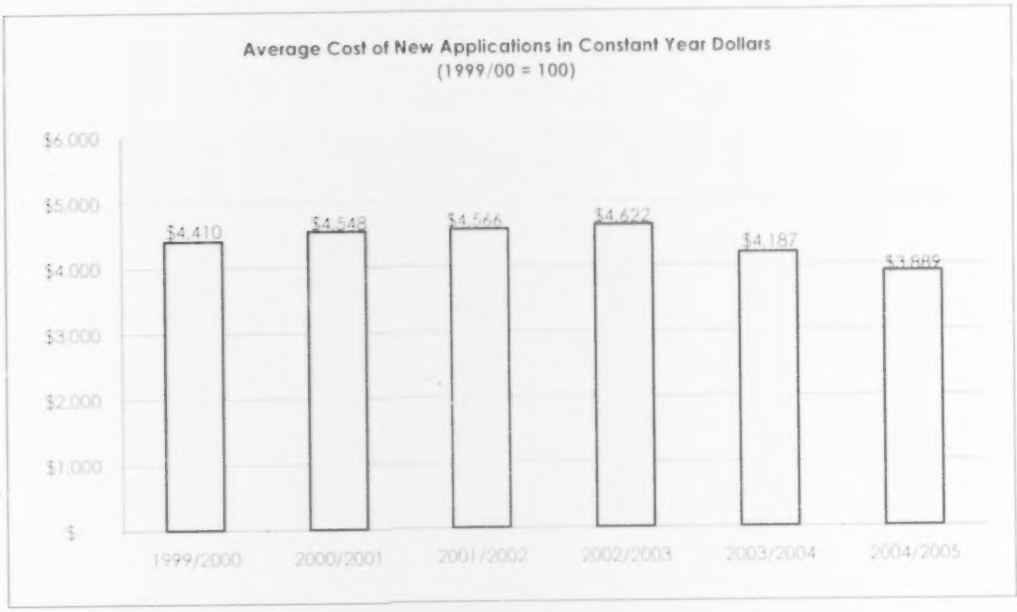
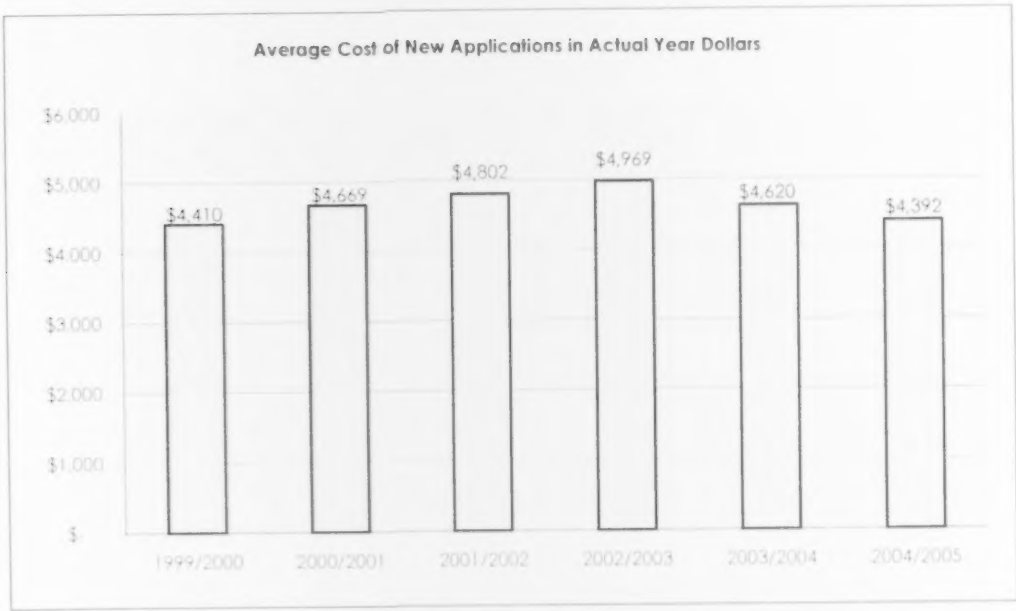


- The average cost of new applications is a measure of operational efficiency, and is determined by dividing total of salaries and benefits and operating expenses by the number of new applications in that year. The Commission achieved not only the Service Plan target of "Less than $4,500", but also the lowest unit cost in Commission history.



OGC

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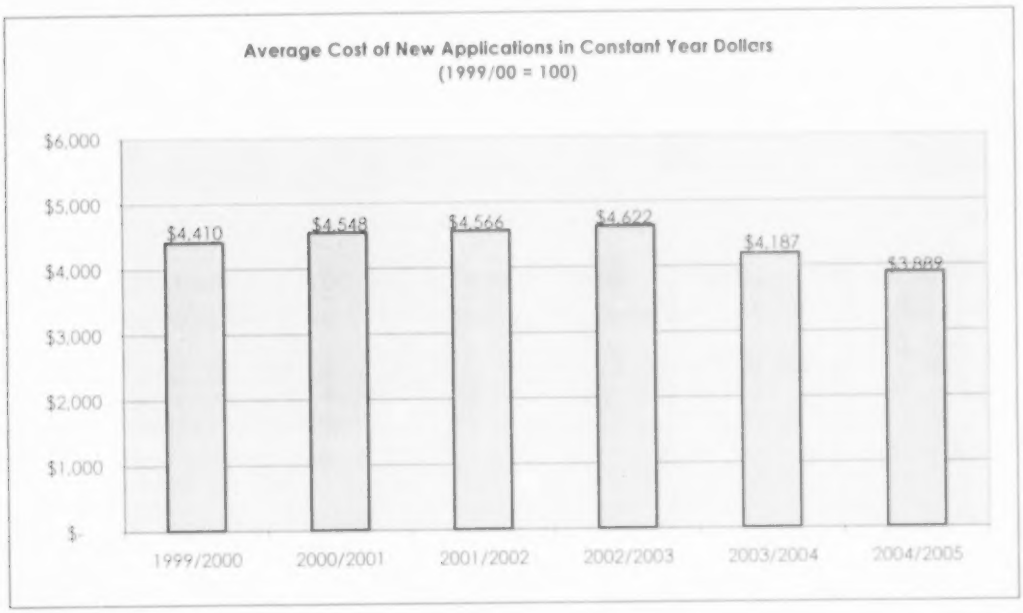
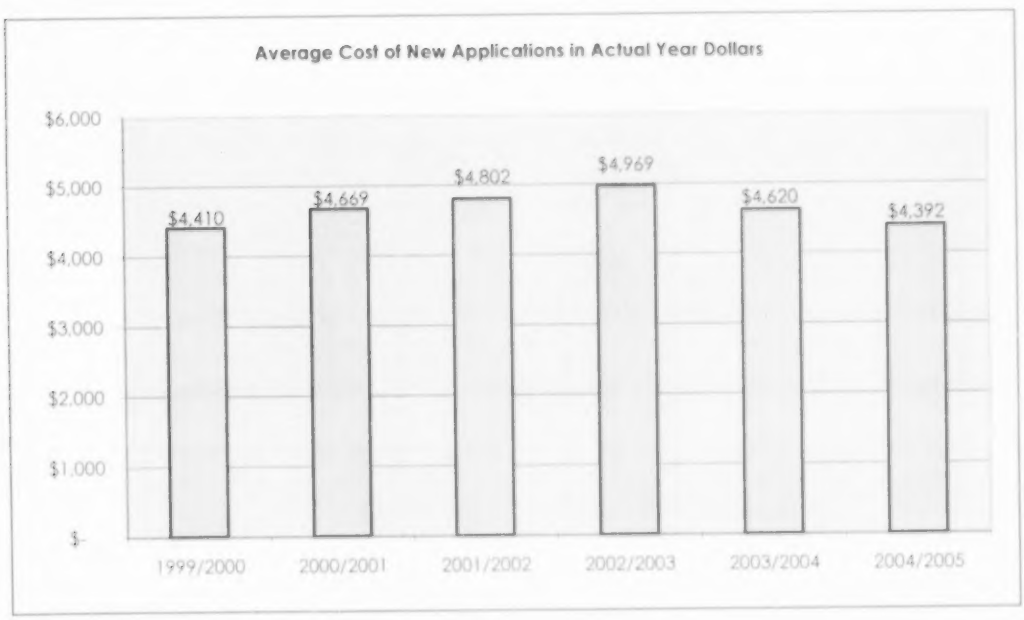


*Management Perspective of the Future*

The Commission has developed a three year financial plan. The details are on the following page.

The plan reflects management's best estimate of industry activity and of the operating requirements of the Commission. For example, the Commission expects the number of well authorizations to increase to 1750 for fiscal 2005/06, an increase of 3% over the actual number for fiscal 2004/05. This forecast is very close to the growth independently determined by the Ministry of Energy and Mines for wells actually drilled: a 5% increase. On the expenditure side, the area with the greatest risk of variability will continue to be Salaries and Benefits. The Commission will likely continue to experience a higher staff turnover rate than government, and this will in all likelihood lead to lengthy hiring lags as we try to fill the vacant positions.

For the first time, application fees and production levies are now related to the *drivers* of Commission costs. During the year, the Commission engaged a professional services firm to undertake a *cost-driver analysis*. After a detailed assessment, it was determined that 54% of Commission costs were the result of provincial exploration/development activities and 46% were due to production activities. With this information, the Commission was able to structure a fee and levy mix that was consistent with the cost-drivers. Industry requested implementation of the new fees and levies effective April 1, 2005.

Please refer to the 2005-2008 Service Plan for strategies and measures which indicate the Commission's business objectives for the future, as well as the means to achieve performance targets.

*Disclosure Statement*

Management is responsible for the information disclosed in the Management Discussion and Analysis, including responsibility for the existence of appropriate information systems, procedures, and controls to ensure the information used internally by management and disclosed externally is complete and reliable.

*Capital Planning*

The Commission has no major capital plans at this time.

*Confidentiality*

This report is complete and contains no confidential information.

OGC

| Summary Financial Outlook ($000) | 2003/04 (Actual) | 2004/05 (Budget) | 2004/05 (Actual) | 2005/06 (Budget) | 2006/07 (Estimate) | 2007/08 (Estimate) |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Fees | 14,019 | 14,172 | 16,243 | 14,982 | 15,207 | 15,733 |
| Levies | 6,221 | 10,438 | 10,283 | 11,173 | 11,146 | 11,415 |
| Miscellaneous | 120 | 50 | 85 | 50 | 50 | 50 |
| **Total Revenues** | **20,360** | **24,660** | **26,611** | **26,205** | **26,403** | **27,198** |
| **Expenses** | | | | | | |
| First Nations | 8,779 | 7,910 | 9,819 | 9,940 | 10,471 | 11,020 |
| Salaries and Benefits | 8,343 | 10,514 | 8,934 | 10,497 | 10,497 | 10,497 |
| Operating Expenses | 3,959 | 5,047 | 4,535 | 5,416 | 5,300 | 5,395 |
| **Total Expenses** | **21,081** | **23,471** | **23,288** | **25,853** | **26,268** | **26,913** |
| **Operating Income (Loss)** | **(721)** | **1,189** | **3,323** | **352** | **136** | **285** |
| Amortization of Contributed Assets | 95 | 95 | 95 | 95 | 95 | 95 |
| **Net Income (Loss)** | **(626)** | **1,284** | **3,418** | **447** | **231** | **380** |
| Full Time Equivalents | 121 | 140 | 130 | 140 | 140 | 140 |
| Capital Expenditures | 333 | 596 | 475 | 452 | 452 | 452 |
| **Linking Goals with Required Resources** | | | | | | |
| Goal 1 | 3,068 | 4,005 | 3,427 | 3,874 | 3,874 | 3,874 |
| Goal 2 | 2,671 | 3,298 | 2,680 | 3,395 | 3,395 | 3,395 |
| Goal 3 | 2,068 | 2,132 | 1,953 | 1,957 | 1,957 | 1,957 |
| Goal 4 | 1,895 | 2,025 | 1,129 | 2,381 | 2,265 | 2,265 |
| Goals 5 & 6 | 2,600 | 4,101 | 4,280 | 4,306 | 4,306 | 4,401 |
| **Total Required Resources (Direct Operating Costs: Total Expenses less First Nations payments)** | **12,302** | **15,561** | **13,469** | **15,913** | **15,797** | **15,892** |

### Key Assumptions

- Gas volume increases are 3% per year (Ministry of Energy and Mines).
- Oil volume decreases are 2% per year (Ministry of Energy and Mines).
- Inflation is forecast at 2% per year (Treasury Board).
- Gas prices remain in excess of $5/MCF.
- Other assumptions:

| | 2005/06 | 2006/07 | 2007/08 |
|---|---|---|---|
| Gas Levy: Total (w/ SCEK) | 35¢ | 35¢ | 35¢ |
| To the OGC | 35¢ | 34¢ | 34¢ |
| Oil Levy: Total (w/ SCEK) | 70¢ | 70¢ | 70¢ |
| To the OGC | 70¢ | 68¢ | 68¢ |
| Well Fee: Total (w/ SCEK) | $7,900 | $7,900 | $7,700 |
| To the OGC | $7,900 | $7,500 | $7,300 |
| Well Authorizations | 1,750 | 1,875 | 2,000 |

### Forecast Risks and Sensitivities

- Commodity prices
- Weather
- Production activity
- Industry activity in other jurisdictions

# Oil and Gas Commission
# Financial Statements

## March 31, 2005

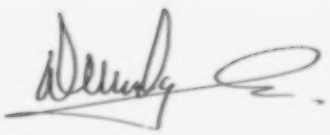
## Oil and Gas Commission

### Statement of Management Responsibility

The financial statements of the Oil and Gas Commission for the year ended March 31, 2005 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of the Commission as at March 31, 2005, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Oil and Gas Commission. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of the Oil and Gas Commission.



Derek Doyle
Commissioner

Craig Wilkinson
Division Leader, Corporate Services

May 11, 2005

# Report of the Auditor General of British Columbia

*To the Members of the Board of Directors*
*of the Oil and Gas Commission*, and

*To the Minister of Energy and Mines,*
*Province of British Columbia*

I have audited the statement of financial position of the *Oil and Gas Commission* as at March 31, 2005 and the statements of operations and net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Oil and Gas Commission* as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

*Victoria, British Columbia*
*May 11, 2005*

Wayne Strelioff, FCA
Auditor General

# Oil and Gas Commission
# Statement of Financial Position
# March 31, 2005
(in $000s)

| | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | **7,333** | 3,890 |
| Accounts receivable | **3,686** | 1,902 |
| Due from Province of British Columbia *(Note 4)* | **1,931** | 1,411 |
| Prepaid expenses | **51** | 53 |
| | **13,001** | 7,256 |
| **Property, plant and equipment** *(Note 3)* | **1,813** | 1,661 |
| | **14,814** | 8,917 |
| **Liabilities and Net Assets** | | |
| **Current liabilities** | | |
| Accounts payable | **513** | 375 |
| Due to First Nations | **1,389** | 1,152 |
| Due to the Province of British Columbia *(Note 4)* | **3,430** | 1,231 |
| | **5,332** | 2,758 |
| **Net Assets** | | |
| Net assets | **9,149** | 5,731 |
| Contributed assets *(Note 5)* | **333** | 428 |
| | **9,482** | 6,159 |
| | **14,814** | 8,917 |

Commitments *(see Note 6)*

Science and Community Environmental Knowledge (SCEK) Fund *(see Note 7)*

Contingent Liability *(see Note 10)*

On behalf of the Board

Sheila Wynn
Board Chair

Derek Doyle
Commissioner

*The accompanying notes are an integral part of these statements.*

## Oil and Gas Commission
## Statement of Operations and Net Assets
## For the period ended March 31, 2005
(in $000s)

| | 2005 | 2004 |
|---|---|---|
| **Revenues** | | |
| Fees | **16,243** | 14,019 |
| Levies | **10,283** | 6,221 |
| Miscellaneous | **85** | 120 |
| | **26,611** | 20,360 |
| **Expenses** | | |
| First Nations *(Note 8)* | **9,819** | 8,779 |
| Salaries and benefits | **8,934** | 8,343 |
| Building occupancy | **877** | 857 |
| Telecommunications and info systems | **707** | 741 |
| Travel and vehicle costs | **831** | 680 |
| Professional services and training | **1,299** | 864 |
| Amortization | **393** | 371 |
| Office supplies and equipment | **417** | 435 |
| Grants | **2** | 2 |
| Miscellaneous and bad debts | **9** | 9 |
| | **23,288** | 21,081 |
| **Revenue (loss) from operations** | **3,323** | (721) |
| Amortization of contributed assets *(Note 5)* | **95** | 95 |
| **Net revenue (loss) from operations** | **3,418** | (626) |
| **Net assets beginning of year, as previously reported** | **6,413** | 6,840 |
| **Prior period adjustment** *(Note 11)* | **(682)** | (483) |
| **Net Assets, beginning of year, as restated** | **5,731** | 6,357 |
| **Net assets end of year** | **9,149** | 5,731 |

*The accompanying notes are an integral part of these statements.*

## Oil and Gas Commission
## Statement of Cash Flows
## For the period ended March 31, 2005
(in $000s)

| | 2005 | 2004 |
|---|---|---|
| **Operating activities** | | |
| Cash generated from: | | |
| Fees | **15,213** | 14,347 |
| Levies | **9,079** | 6,411 |
| Miscellaneous | **14** | 156 |
| | **24,306** | 20,914 |
| Cash used for: | | |
| Payments to First Nations | **9,582** | 10,911 |
| Salaries | **6,864** | 9,013 |
| Operating costs | **3,872** | 3,879 |
| | **20,318** | 23,803 |
| **Cash from (used in) operating activities** | **3,988** | (2,889) |
| **Cash used in investment activities** | | |
| Purchase of plant and equipment | **(488)** | (333) |
| Purchase of land | **(57)** | - |
| **Cash transferred to SCEK** | **-** | (2,247) |
| **Increase (Decrease) in cash** | **3,443** | (5,469) |
| **Cash beginning of year** | **3,890** | 9,359 |
| **Cash end of year** | **7,333** | 3,890 |

*The accompanying notes are an integral part of these statements.*

# Oil and Gas Commission
# Notes to the Financial Statements March 31, 2005
(in $000s)

## 1. The Oil and Gas Commission

The Oil and Gas Commission (the "Commission") was established under the *Oil and Gas Commission Act* on July 30, 1998, to administer industry activity on oil and gas lands and to resolve industry land use and economic issues related to Aboriginal Lands on behalf of the Province of British Columbia.

The Commission is funded through revenue from the consolidated revenue fund of the Province of British Columbia derived from:

- Levies from oil and gas production,
- Fees in relation to applications for and issuance of approvals, licenses, permits and other authorizations issued by the Commission under the *Petroleum and Natural Gas Act* and the *Pipeline Act*, and
- Annual fees prescribed under the *Petroleum and Natural Gas Act* and the *Pipeline Act*.

The Commission is exempt from federal and provincial income taxes.

## 2. Significant accounting policies

The financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

**Property, plant and equipment**

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

| | |
|---|---|
| • Furniture, equipment and tenant improvements | 10 per cent |
| • Operating equipment | 20 per cent |
| • Automotive equipment | 25 per cent |
| • Computer hardware | 33 per cent |
| • Computer software | 100 per cent |

Amortization associated with assets paid for by the Province of British Columbia is transferred from contributed surplus to revenue each year. See *Note 5*.

**Revenue recognition**

All fee and levy revenue authorized and collected under Section 23 of the *Oil and Gas Commission Act* is first paid to the Minister of Finance. The Province then transfers this amount of revenue to the Commission.

Revenue is recognized when it is earned. The Oil and Gas Levy is assessed in the second month following production; therefore, revenue for February and March is estimated based on an analysis that takes into account both historical and current year trends. Fees under the *Pipeline Act* for pipelines and gas and compressor stations are recognized when earned, that is, when "leave to open" has been granted.

Fees and levies collected on behalf of the Science and Community Environmental Knowledge Fund are reported separately from the Oil and Gas Commission. Audited financial statements are available upon request.

**Employee benefit plan**

The Commission and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. The Public Service Pension Plan is a multi-employer, defined benefit plan and is available to substantially all of the Commission employees. On behalf of employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The most recent actuarial valuation (March 31, 2002) has determined the Plan is in a surplus position. The Corporation also annually contributes through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The cost of these employee future benefits is recognized as an expense in the year that contributions are paid. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship where the management, risks and benefits are shared between the employers and employees.

**Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

## 3. Property, plant and equipment

| | Cost | Accumulated Amortization | 2005 Net Book Value | 2004 Net Book Value |
|---|---|---|---|---|
| Land | 57 | - | **57** | - |
| Furniture, equipment, and tenant improvements | 2,451 | (999) | **1,452** | 1,490 |
| Operating equipment | 91 | (9) | **82** | - |
| Automotive equipment | 58 | (7) | **51** | - |
| Computer hardware | 541 | (376) | **165** | 169 |
| Computer software | 462 | (456) | **6** | 2 |
| | 3,660 | (1,847) | **1,813** | 1,661 |

## 4. Due from / to the Province of British Columbia

| | 2005 | 2004 |
|---|---|---|
| Due from: | | |
| Accrued leave liability | **120** | 120 |
| Contract reimbursement | **383** | 268 |
| Fee and levies | **1,428** | 1,023 |
| | **1,931** | 1,411 |
| Due to: | | |
| Operating expenses | **3,430** | 1,231 |
| | **3,430** | 1,231 |

## 5. Contributed assets and forgiveness of start-up costs

During its first year of operation (1998/1999) the Commission borrowed funds from the Province to finance its purchase of start-up capital and pay for other start-up costs like professional contracts. The total of all of these amounts was $1,620.

During the 2000/01 fiscal year the Province forgave this amount and the amount equal to the capital assets. They were recognized as a contributed asset.

Contributed assets are reduced each year and an amount transferred to revenue equal to the yearly amortization.

| | **2005** | 2004 |
|---|---|---|
| **Contributed assets** beginning of year | **428** | 523 |
| Amortization of contributed assets | **(95)** | (95) |
| **Contributed assets** end of year | **333** | 428 |

## 6. Commitments

The Commission occupies leased office buildings in Fort St. John, Victoria and Kamloops for which building occupancy fees are paid to the British Columbia Buildings Corporation. The lease for the Fort St. John office space runs until March 31, 2013 with no early release option. The office space in Victoria is managed through the Ministry of Small Business and Economic Development with no fixed end date, and requires six months notice to vacate. The lease for the space in Kamloops ends on April 1, 2007.

The Commission has entered into a number of short-term leases and support agreements. These are for vehicles and office equipment.

The Commission's total fiscal year commitments are:

| Fiscal Year | First Nations | Other | Total |
|---|---|---|---|
| 2006 | 2,060 | 1,469 | 3,529 |
| 2007 | 860 | 996 | 1,856 |
| 2008 | | 950 | 950 |
| 2009 | | 936 | 936 |
| 2010 | | 940 | 940 |

## 7. Science and Community Environmental Knowledge (SCEK) Fund

The Oil and Gas Commission administers this fund on behalf of the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC). Funding is generated through a portion of the levy on oil and gas production and a portion of the application fee for wells. This money is restricted for use for projects and administration of the Fund.

## 8. First Nations Payments

The Commission has entered into Agreements or Memorandums of Understanding with the following First Nations. During the life of the MOUs and Agreements each First Nation will receive payments based on current well activities. These payments are for consultation services on applications as required by the *Oil and Gas Commission Act*.

| Payments to: | Agreement Expires | 2005 | 2004 |
|---|---|---|---|
| Blueberry River First Nations | March 31, 2006 | **1,187** | 1,095 |
| Doig River First Nations | March 31, 2006 | **1,265** | 1,095 |
| Dene Tha' First Nations | March 31, 2007 | **440** | 320 |
| Fort Nelson First Nations | March 31, 2006 | **1,277** | 1,191 |
| Halfway River First Nations | March 31, 2006 | **1,187** | 1,094 |
| McLeod Lake Indian Band | March 31, 2007 | **902** | 699 |
| Prophet River First Nations | March 31, 2006 | **1,187** | 1,095 |
| Saulteau First Nations | March 31, 2006 | **1,187** | 1,095 |
| West Moberly First Nations | March 31, 2006 | **1,187** | 1,095 |
| | | **9,819** | 8,779 |

## 9. Related party transactions

The Commission is related to all Province of British Columbia ministries, agencies and Crown corporations. The Commission leases office space from the British Columbia Buildings Corporation. The Ministry of Management Services provided payroll services during the year at no cost to the Commission. The Ministry of Attorney General acted as the Commission's primary legal advisor during the year on a cost recovery basis. The BC Public Service Agency provided human resource services during the year under terms of a Service Level Agreement.

## 10. Contingent Liability

The Commission is contingently liable with respect to pending litigation and claims in the normal course of business. An estimate of a contingent loss cannot be determined at this time. In the opinion of management, any liability that may arise would not have a material adverse effect on future income.

## 11. Prior period adjustment

During the year, the Commission determined that the basis for accruing pipeline fee revenue was being applied in a manner inconsistent with its stated accounting policy. The adjustment to opening net assets was made in order to reconcile the current receivable balance and revenue to the amounts that should have been billed under the *Pipeline Act's* policy of recording revenue when the "leave to open" has been granted. The process of reconciling between the billed amounts and the granted "leave to open" is currently in progress and changes to these balances will be reflected in the year in which they become known.

## 12. Comparatives figures

Certain comparative figures have been restated to conform to the presentation used in the current year.

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## Corporate Governance

A three-member Board of Directors governs the Commission. The Deputy Minister of Energy and Mines, Dr. Sheila Wynn, is the Chair and reports to the Minister responsible, the Honourable Richard Neufeld. The Commissioner, Derek Doyle, is Vice Chair. John Bechtold, a government appointee, is the third Director.

A Governance Manual has been created and approved by the Board, and is available to view on our website: http://www.ogc.gov.bc.ca/

The responsibilities of the Board include:

- Establishing the Commission's organization
- Providing strategic direction to the Commission
- Ensuring appropriate plans, programs, and policies are in place
- Approving the Commission's budget, service plan, and regulatory initiatives
- Regularly reviewing the Commission's performance to planned targets and budgets

The Chair has the following responsibilities:

- Approving the Governance Manual
- Scheduling and conducting Board meetings
- Signing approved Decision Notes
- Reviewing the Commissioner's Performance Plan
- Reporting to the Minister of Energy and Mines on the activities of the Commission
- Ensuring alignment with appropriate government policies

The Vice Chair/Commissioner has the following responsibilities:

- Leading and managing the operations of the Commission
- Approving internal operating procedures at the Division level
- Acting as the Chair in his/her absence
- Supervising and leading the Executive team of the Commission
- Responding to recommendations of the Advisory Committee
- Upholding the regulatory framework

The Commissioner is accountable for the operations and performance of the Commission.

The third Director is responsible to chair the Audit Committee.

The composition of the Board is being assessed as part of the Oil and Gas Regulatory Improvement Initiative.

The Board operates under a Carver-like governance model; it is strategic and advisory rather than operational. Duties and practices are identified in the Governance Manual.

Work is underway towards the development of a Shareholder's Letter of Expectations to outline the expectations between government and the Commission.

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There is one standing committee of the Board: the Audit Committee. It is comprised of the Board Chair, the third Director, and the Division Leader of Corporate Services. The Committee is responsible to:

- Ensure the adequacy of internal controls
- Ensure compliance with financial policies and procedures and Generally Accepted Accounting Principles (GAAP)
- Meet at least annually with the Commission's auditors, and to approve draft audit responses by management
- Select the Commission's auditors
- Ensure effective risk management practices are in place

Audit Committee Terms of Reference are included in the Governance Manual.

The Commission's Executive Team is:

- Derek Doyle, Commissioner
- Craig Wilkinson, Division Leader, Corporate Services
- Kameron Jones, Division Leader, Operations, & Deputy Commissioner
- Corey Jonsson, A/Manager of Executive Office

The Commission's Director Team includes the Executive Team and:

- Alain Robidoux, A/Executive Director, Compliance and Enforcement Branch
- Steve Spalding, A/Executive Director, Program Development Branch
- James Gladysz, A/Director, Project Assessment Branch
- Dave Krezanoski, Director, Operations Engineering Branch
- Craig Gibson, Director, Resource Conservation Branch
- Lance Ollenberger, A/Director, Aboriginal Relations and Land Use Branch
- Stephanie Neraasen, A/Executive Administrative Assistant

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## Appendices

### 1a. The Nine Step Application Process at the Oil and Gas Commission

| Step | Action |
|---|---|
| 1 | Application, including consultation records, is submitted to the OGC |
| 2 | OGC reviews application for impacts affecting:<br>• Stakeholders<br>• First Nations<br>• Archaeological interests<br>• Environmental Issues<br>• Technical information |
| 3 | Enhanced consultation may be required, including:<br>• Public safety and emergency response planning<br>• Record of community input<br>• Assess commitments by applicant<br>• Give comments from application review team |
| 4 | Decision on a well authorization includes:<br>• Construction<br>• Drilling<br>• Site disturbance/removal of timber<br>• Operational impact, such as traffic and odor |
| 5 | Well installation, pipelines and facilities and compliance control |
| 6 | Preparing for production:<br>• Applicant must apply for production activities, including flaring |
| 7 | Production commences:<br>• Applicant must apply to test, produce, and/or flare. |
| 8 | Community consultation and notification on completion and production applications |
| 9 | Community liaison and issue management |

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1b. Service Delivery Model of the Oil and Gas Commission

GEOPHYSICAL WELLS PIPELINES FACILITIES

CORE SERVICES

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**2a. The Advisory Committee**

The Advisory Committee is an independent body with the following responsibility to :

- Provide advice and make recommendations to the Commission
- Assess Requests for Reconsideration by Alternative Dispute Resolution
- Anticipate and identify environmental, economic and social issues
- Review the Commission's plans and financial statements
- Assist the Commission to develop operating plans

Committee members at March 31, 2005, and terms of appointment, are:

| | |
|---|---|
| Mike Waberski (Chair) | Nov 2004-Nov 2008 |
| Kathi Dickie (Vice-Chair) | Nov 2002-Nov 2006 |
| Lynn Allan Blair | Nov 2004-Nov 2008 |
| Jim Campbell | Nov 2002-Nov 2006 |
| Michelle Gardner | Nov 2002-Nov 2006 |
| David Pryce | Nov 2002-Nov 2006 |
| Shirley Viens | Nov 2004-Nov 2008 |
| Van Greig | Nov 2002-Nov 2006 |

*Ex officio* members are:

Derek Doyle, Commissioner, Oil and Gas Commission
Paul Wieringa, A/Executive Director, Oil and Gas Policy Branch, Ministry of Energy and Mines

The Advisory Committee made 26 recommendations to the Commissioner during the year to February 8, 2005, and 14 were implemented, or 54%. The Committee made an additional 31 recommendations on February 8 and 9, 2005, and those recommendations are being assessed as at March 31, 2005.

The Commissioner has implemented overall 86.1% of Advisory Committee recommendations since the inception of the Committee to February 8, 2005.

The Committee received 19 applications for reconsideration by ADR during the year, and recommended ADR in two of those cases.

An Annual Report of the Committee will be made available through the Oil and Gas Commission's website after June 30, 2005:
http://www.ogc.gov.bc.ca/advisorycommittee.asp

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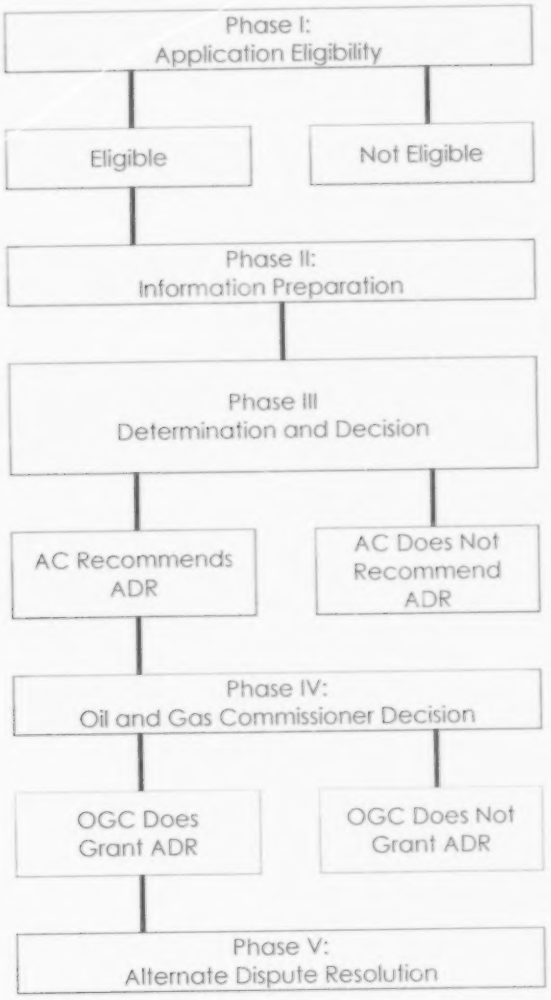
**2b. The Request for Reconsideration Process**



### 3. Oil and Gas Practice Advisory Group

The Oil and Gas Practice Advisory Group (PAG) is a joint initiative between the Commission and the oil and gas industry. The group's purpose is to raise issues of mutual concern and work toward a resolution of those issues. The Commission is committed to implementing 80% of the recommendations made by PAG.

PAG is comprised of a Steering Committee and eight subcommittees, each with expertise in a particular operational area of the oil and gas industry. The Steering Committee is comprised predominantly of the leaders of the subcommittees. The Steering Committee examines the issues that are raised by the sub-committees. After an issue passes the scrutiny of the Steering Committee, it is passed on to the Commission for resolution. The PAG subcommittees are:

- Community Relations, Archaeology, First Nations and Dispute Resolution
- Surface and Environment
- Seismic
- Well Drilling, Completions, Operations and Maintenance
- Pipeline Design and Construction
- Facilities Design and Construction
- Pipeline and Facilities Operations and Maintenance
- Pipeline and Equipment Systems Integrity

As a result of PAG recommendations during the 2004/05 fiscal year, the Commission:

1. Amended the *Drilling and Production Regulation* to reduce the required distance between a flare stack and well testing equipment from 50 m to 25 m, thus bringing the Regulation into alignment with Industry Recommended Practices and Alberta Energy and Utilities Board, Guide 40, Testing Oil and Gas Wells.

2. Amended stream-crossing policy to allow geophysical operations to utilize snow-fills where a creek is dry or frozen to bottom. A new Stream Crossing Planning Guide was published to assist companies with planning, construction and deactivation.

3. Developed a new forestry policy that provides options regarding stumpage assessment (timber cruise or area-based) and a reduction of the stumpage charge for minimal impact geophysical operations.

4. Streamlined the process for a pipeline surface access application. Detailed engineering specifications are now required to be submitted only prior to pipeline construction.

5. Implemented a new forestry policy that provides options regarding timber utilization if timber salvage is uneconomic.

6. Streamlined the archaeological assessment process respecting applications for surface access. Developed a protocol agreement with the Archaeology Branch of the Ministry of Sustainable Resource Management.

The implementation of the above recommendations provided clarification and efficiencies for the industry while maintaining the OGC's high commitment to safety and the environment.

**4. Best Practices Working Group**

The Best Practices Working Group (BPWG) is composed of government, OGC, and industry members to address regulatory efficiency and service delivery issues in British Columbia related to petroleum and natural gas activities.

The focus is primarily on issues that require the support of other government ministries to implement change. For example, the BPWG is working with the Ministry of Transportation to address issues such as load weight and load width restrictions. Truck traffic traveling from Alberta into Northeast BC must currently adjust to a different set of requirements.

As a result of recommendations from the BPWG, the OGC:

1. Amended the *Drilling and Production Regulation* to harmonize drilling casing bowl equipment specifications for shallow wells with those of Alberta.

2. Implemented a new policy that resulted in the elimination of the royalty fees for compactable fill material used in the construction of oil and gas access roads authorized under the *Petroleum and Natural Gas Act*.

3. Implemented a policy that allows the estimation of fuel gas volumes less than 500 cubic metres per day, and clarified the requirements for fuel gas tap locations and reporting of fuel gas volumes.

4. Collaborated with Ministry of Forests to develop policies regarding timber utilization and area-based stumpage rates for the oil and gas industry.

The OGC looks forward to continued participation with the BPWG to further improve regulatory efficiency and service delivery.

**5. Public Sector Values**

The Oil and Gas Commission delivers services in a manner consistent with public sector values.

The core values of government, as identified in the BC Government Strategic Plan, are:

- Integrity: to make decisions in a manner that is consistent, professional, fair and balanced
- Fiscal responsibility: to implement affordable public policies
- Accountability: to enhance efficiency, effectiveness and credibility of government
- Respect: to treat all citizens equitably, compassionately and respectfully
- Choice: afford citizens the opportunity to exercise self-determination

(Please refer to http://www.bcbudget.gov.bc.ca/stplan/#core).

The financial management objectives of government include ensuring that funds are controlled, accounted for and well managed by embracing these principles:

- Funds are handled properly and honestly
- Funds are spent responsibly and in accordance with statutory, regulatory and appropriation provisions, and not used for personal gain
- Funds are used economically and efficiently to deliver programs that effectively meet government's goals

(Please refer to http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/01_Governance.htm).

The Standards of Conduct required of all employees is available to view at:
http://www.bcpublicservice.ca/policies/Directives/5-8/05-4soc.htm

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## 6. Benchmarking

The Commission occupies a unique role with its single-window service to industry. Research confirms that no oil and gas regulatory agency in North America provides the range of services that the Commission provides.

The following table outlines the unique role of the Commission. The information was collected by an independent data analyst professional and verified with agency leaders:

| Responsibility | OGC | AEUB (Alta.) | SIR (Sask.) | WOGCC (Wyom.) | COGCC (Colo.) | Oklahoma | Montana |
|---|---|---|---|---|---|---|---|
| Lease mineral rights | | | x | | | | |
| Adjudicate Well Site (or well drilling) applications | x | x | x | x | x | x | x |
| Adjudicate Pipeline applications | x | x | x | | | | |
| Adjudicate Facility applications | x | x | x | | | | |
| Adjudicate Geophysical applications | x | | x | x | x | x | |
| Perform onsite technical inspections | x | x | x | x | x | x | x |
| Consult with First Nations | x | | | | | x | x |
| Mitigate environmental issues | x | x | x | x | x | x | x |
| Issue authority to occupy public land | x | | | | | | |
| Issue authority to cut timber on area of occupation | x | | | | | | |
| Issue authority to build and use roads | x | | | | | | |
| Consult with stakeholders | x | x | x | x | x | x | x |
| Review archaeology assessment | x | | | | | | |
| Mitigate Heritage Issues | x | | | | | | |
| Waste management and clean up | x | x | x | x | x | x | x |

Only a few regulatory agencies throughout North America provide performance measures and targets. For example, the Wyoming Oil and Gas Conservation Commission lists no performance measures. However, where an agency has a measure and it is reasonably comparable, it will be shown as a benchmark.

The Commission is partnering with the Alberta Energy and Utilities Board (AEUB) and other agencies to establish performance measures and identify benchmarks that could be useful to regulatory agencies throughout North America. A project is being led by the AEUB, and the OGC is a member of the Working Committee. Data collection has been completed and the final report is scheduled to be released in 2005/2006.

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## 7. Continuum of Dispute Resolution at the OGC

The OGC has a duty to resolve oil and gas development issues and disputes between affected parties, such as industry, stakeholders or First Nations. The goal of dispute resolution is to explore and understand each other's interests and to develop acceptable solutions together. The Commission works collaboratively with industry, First Nations and stakeholders to resolve a broad range of issues.

| Concern/Issue | Action |
|---|---|
| **Absence of Information** | **Information Sharing:**<br>-Information brochures, fact sheets, Commissioner's Update, information letters.<br>-Sharing information at trade shows, workshops, community meetings.<br>-Providing information in response to information requests. |
| **Stakeholder Concerns** | **Issue Resolution:**<br>-Applications and Approvals, Aboriginal Relations and Stakeholder Relations Branches assist in resolving issues during the application review process.<br>-Compliance and Enforcement Branch works with industry and stakeholders in resolving operational issues arising after an application has been approved. |
| **First Nations Concerns** | **Protection and Mitigation:**<br>-Facilitated meetings between First Nations and industry.<br>-OGC confers with Chief and Council, Land Use staff, Elders and Monitors.<br>-Imposes terms and conditions on approvals and provides final permits.<br>-Compliance monitoring and enforcement. |
| **Community Concerns** | **Community Engagement:**<br>-The OGC documents concerns and shares information with communities.<br>-Broad-based community involvement including Buick Creek, Mile 62.5, Hudson's Hope, Fort St. John, Fort Nelson, Chetwynd, Dawson Creek and Comox.<br>-Enhanced compliance and enforcement.<br>-Actions tailored to meet specifics of activity and concerns (workshops, presentations, bulletins, etc.). |
| **Proponent/Surface Dispute** | **Facilitation:**<br>-Facilitation occurs at all levels of the OGC on issues dealing with land, health, safety, wildlife, water, rehabilitation and industry performance. |
| **Landowners/Proponent Disputes** | **Mediation and Arbitration Board:**<br>-The OGC provides information relevant to applications made to the Board, and shares information with landowners.<br>-The OGC is adding a Farmers Advocate position. |
| **Conflicting Tenures** | **Interagency Task Group:**<br>-The Commission is working with the Peace Managers to define a framework of best practices and procedures for consultation and conflict resolution between tenure holders.<br>-Pre-tenure planning for oil and gas operations.<br>-Sustainable Resource Management plans. |
| **Oil and Gas Production Disputes** | **Reservoir Engineering Studies and Decisions:**<br>-Limits on daily production.<br>-Off target penalties.<br>-Pool conservation and evaluation. |
| **Unresolved Dispute of OGC Approved Activities** | **Request for Reconsideration:**<br>-Disputant may apply to the Advisory Committee for reconsideration of the OGC activities decision.<br>-If the Advisory Committee grants the application, it makes a recommendation to the OGC.<br>-If the OGC grants the recommendation, it authorizes a facilitated resolution of the dispute.<br>-The OGC reconsiders its original decision. |

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## 8. Science and Community Environmental Knowledge Fund

The Science and Community Environmental Knowledge Fund (the Fund or the SCEK Fund) is a knowledge fund that is financed by industry and administered by the Commission. The money is initially collected from industry as part of the levies on production and the fee for Well Authorization applications; it is then split off by the Commission and deposited into a separate bank account. Separate financial statements are issued, and those statements are independently audited.

The Fund was established in 1998 at which time a $5 million, five-year contribution commitment was made. In 2002, CAPP and SEPAC restated their support to $9 million for nine years.

The Fund has undergone considerable change in the last year which has contributed to its success as a mechanism of support for a diversity of projects that promote environmentally sustainable use of the land by the oil and gas sector.

Achievements for 2004/05 include the following:

1. The establishment of a new governance model.
2. The establishment of a new annual business model.
3. The successful completion of 16 projects.
4. The funding of 6 projects.
5. Holding of the 2nd SCEK Fund Forum.

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## Contact Information

For general information about the Oil and Gas Commission, you can contact us by:

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|---|---|
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